

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HOUSE BILL 2469

AN ACT

AMENDING SECTION 15-103, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-107; AMENDING SECTIONS 15-203, 15-272, 15-304, 15-341 AND 23-355, ARIZONA REVISED STATUTES; REPEALING LAWS 2005, CHAPTER 274, SECTION 2, AS AMENDED BY LAWS 2007, CHAPTER 234, SECTION 2; REPEALING LAWS 2005, CHAPTER 274, SECTION 3, AS AMENDED BY LAWS 2007, CHAPTER 234, SECTION 3; AMENDING LAWS 2007, CHAPTER 234, SECTION 5; AMENDING LAWS 2007, CHAPTER 238, SECTION 1; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-103, Arizona Revised Statutes, is amended
3 effective from and after June 30, 2008, to read:

4 15-103. School districts; financial mismanagement;
5 intervention; violation; classification; definitions

6 A. The state board of education shall review allegations of school
7 district insolvency and gross mismanagement. The state board shall give the
8 school district an opportunity to respond to these allegations at a public
9 meeting. If the state board determines that the school district is insolvent
10 or has grossly mismanaged its finances, the state board shall appoint a
11 receiver for that school district.

12 B. The state board shall find a school district insolvent if it finds
13 one or more of the following:

14 1. The school district is unable to pay debts as they fall due or in
15 the usual course of business.

16 2. The salaries of any teachers or other employees have remained
17 unpaid for forty-five days.

18 3. The tuition due another school district or other state institution
19 remains unpaid on or after January 1 of the year following the school year it
20 was due and there is no dispute regarding the validity or amount of the
21 claim.

22 4. The school district has defaulted in payment of its bonds or
23 interest on bonds or in payment of rentals due any state or federal authority
24 or private business for a period of sixty calendar days and no action has
25 been initiated within that period of time to make payment.

26 5. The school district has contracted for any loan not authorized by
27 law.

28 6. The school district has accumulated and has operated with a deficit
29 equal to five per cent or more of the school district's revenue control limit
30 for any fiscal year within the past two fiscal years **OR THE CONDITIONS**
31 **PRESCRIBED IN SECTION 15-107 HAVE OCCURRED.**

32 7. The school district's warrants have not been honored for payment by
33 the school district's servicing bank or by the county treasurer and the
34 warrants have remained unpaid for a period of more than sixty calendar days.

35 C. No school district shall be deemed to be insolvent pursuant to
36 subsection B of this section if the circumstances are the result of the
37 failure of the state to make any payments of monies due the school district
38 at the time payment is due.

39 D. The state board of education shall have jurisdiction over all
40 petitions requesting that a school district be placed in receivership and a
41 receiver be appointed because of the school district's alleged insolvency or
42 gross mismanagement. The state board shall have the burden of demonstrating
43 by a preponderance of the evidence that the school district is insolvent or
44 is engaged in gross mismanagement.

1 E. If the state board of education finds that the school district is
2 insolvent or has engaged in gross mismanagement, the state board shall place
3 the school district in receivership and appoint a receiver recommended by the
4 state board. The state board shall develop and adopt a list of qualified
5 receivers to be appointed by the board.

6 F. On appointment, the receiver MAY PERFORM ANY OF THE ACTIONS
7 PRESCRIBED IN PARAGRAPHS 1 THROUGH 11 OF THIS SUBSECTION AND shall begin a
8 full review and investigation of the school district's financial affairs and
9 submit to the state board of education a detailed report listing the findings
10 of that investigation that shall include a financial improvement plan and
11 budget that details how the school district will eliminate any continued
12 gross financial mismanagement and achieve financial solvency. The plan shall
13 include a proposed timeline for achieving financial solvency. The receiver
14 shall submit the report within one hundred twenty days after the receiver's
15 appointment. The financial improvement plan approved by the state board of
16 education may authorize the receiver to do any of the following:

17 1. Override any decisions of the school district's governing board or
18 the school district superintendent, or both, concerning the management and
19 operation of the school district, and initiate and make decisions concerning
20 the management and operation of the school district.

21 2. Attend any and all meetings of the school district's governing
22 board and administrative staff.

23 3. Supervise the day-to-day activities of the school district's staff,
24 including reassigning the duties and responsibilities of personnel in a
25 manner that, in the determination of the receiver, best suits the needs of
26 the school district.

27 4. Place on extended leave, suspend or terminate for cause the school
28 district's superintendent or chief financial officer, or both. THE RECEIVER
29 IS NOT AUTHORIZED TO PROVIDE A SEVERANCE OR BUY-OUT PACKAGE TO THE SCHOOL
30 DISTRICT'S SUPERINTENDENT OR CHIEF FINANCIAL OFFICER IF THE SCHOOL DISTRICT
31 IS PLACED INTO RECEIVERSHIP BY THE STATE BOARD OF EDUCATION. A person
32 terminated pursuant to this paragraph may appeal the receiver's decision to
33 the state board of education if an appeal is filed with the state board
34 within thirty days of receiving notice of the termination.

35 5. Authorize pupils to transfer from schools operated by the school
36 district to schools operated by another school district that is not currently
37 in receivership.

38 6. Appoint a chief educational officer who shall possess the powers
39 and duties of a school district superintendent. A chief educational officer
40 who is appointed pursuant to this paragraph shall hold a valid administrative
41 certificate.

42 7. Appoint a chief fiscal officer who shall possess the powers and
43 duties of the school district's chief school business official and any other
44 duties regarding budgeting, accounting and other financial matters that are
45 assigned to the school district by law.

1 8. Appoint a competent independent public accountant to audit the
2 accounts of the school district.

3 9. Reorganize the school district's financial accounts, management and
4 budgetary systems to improve financial responsibility and reduce financial
5 inefficiency within the district.

6 10. Establish school district fiscal guidelines and a system of
7 internal controls, including internal administrative controls and internal
8 accounting controls, with provisions for internal audits.

9 11. Cancel or renegotiate any contract, other than contracts of
10 certificated teachers who have been employed by the school district in the
11 capacity of a certificated teacher for more than one year immediately before
12 the date the receiver was appointed, to which the governing board or the
13 school district is a party if the cancellation or renegotiation of the
14 contract will produce needed economies in the operation of the district's
15 schools. The receiver may refuse to reemploy any certificated teacher who
16 has not been employed by the school district for more than the major portion
17 of three consecutive school years as provided in section 15-536.

18 G. The receiver's power, authority and duties shall be effective on
19 the date of the receiver's appointment by the state board of education. The
20 receiver shall perform the receiver's duties according to the instructions of
21 the state board of education order and according to law. The receiver shall
22 promptly report any violations of law, including a violation of the uniform
23 system of financial records, to the state board of education.

24 H. On review and approval of the state board of education, the
25 receiver shall take all necessary steps to implement the financial
26 improvement plan and budget utilizing those powers identified in the plan as
27 prescribed in subsection F of this section.

28 I. The salary and benefits of the receiver and any officers or
29 employees appointed by the receiver shall be paid by the school
30 district. The state board of education shall determine the salary for the
31 receiver and any officers or employees appointed by the receiver based on
32 amounts recommended by the state board.

33 J. The state board of education shall remove the school district from
34 receivership and dismiss the receiver and dismiss any officer or employee
35 appointed by the receiver thirty days after all of the following have
36 occurred:

37 1. The auditor general certifies that the school district has been
38 financially solvent for one fiscal year.

39 2. The auditor general certifies that the school district's financial
40 records are in compliance with the uniform system of financial records and
41 generally accepted accounting principles.

42 3. The receiver certifies that the school district is no longer
43 engaged in gross mismanagement.

44 4. The state board of education has determined that the school
45 district is able to pay its debts as those debts become due.

1 K. BEGINNING NINETY DAYS AFTER THE SUBMISSION OF THE FIRST REPORT
2 PRESCRIBED IN SUBSECTION F OF THIS SECTION, the receiver shall submit a
3 quarterly progress report to the state board of education. ~~The first~~
4 ~~progress report is due on the three month anniversary of the receiver's~~
5 ~~appointment by the state board.~~ THE STATE BOARD OF EDUCATION SHALL REVIEW
6 THE EXPENSES AND COSTS OF THE RECEIVER AT LEAST ONCE EACH CALENDAR QUARTER.

7 L. The state board of education shall formally review the receiver's
8 progress every six months. If, based on the quarterly progress reports, the
9 state board determines that the receiver's progress is insufficient, the
10 state board may remove the current receiver and appoint another receiver for
11 the school district.

12 M. The state board of education may dismiss the receiver for cause or
13 on a majority vote of no confidence in the receiver of the state board.

14 N. The school district shall indemnify the receiver and any officer or
15 employee appointed by the receiver who is made or threatened to be made a
16 party to any litigation by reason of their status under this section if the
17 receiver, officer or employee acted in good faith and in a manner that the
18 receiver, officer or employee reasonably believed to be consistent with the
19 best interest of the school district and if the receiver, officer or employee
20 had no reasonable cause to believe that the conduct was unlawful.

21 O. During the period of time that the school district is in
22 receivership, no member, officer, employee or agent of the school district
23 may enter into any contract or incur any liability on behalf of the school
24 district for any purpose if the amount of the contract or liability exceeds
25 the receiver's authorized financial plan and budget for the school
26 district. The receiver may discipline, including, if warranted, imposing a
27 suspension from duty without pay, removal from office or termination of, any
28 school district employee or officer who violates this subsection.

29 P. This section does not create a private cause of action against the
30 school district or its officers, directors, board members or employees.

31 Q. The assumption of control of the school district by the receiver
32 shall in no way interfere with the election or reelection of school district
33 governing board members.

34 R. This section shall not interfere with a school district's ability
35 to declare bankruptcy under federal law.

36 S. The state board of education shall continue to monitor and offer
37 technical assistance to a school district for two years after its removal
38 from receivership.

39 T. ALL INFORMATION RECEIVED AND RECORDS OR REPORTS KEPT BY THE STATE
40 BOARD OF EDUCATION DURING AN INVESTIGATION RESULTING FROM A COMPLAINT AGAINST
41 A RECEIVER APPOINTED PURSUANT TO THIS SECTION OR SECTION 15-107 ARE
42 CONFIDENTIAL AND NOT A PUBLIC RECORD.

43 U. THE STATE BOARD OF EDUCATION OR THE DEPARTMENT OF EDUCATION SHALL
44 IMMEDIATELY NOTIFY THE AUDITOR GENERAL IF THE BOARD OR DEPARTMENT HAS
45 KNOWLEDGE THAT A SUPERINTENDENT OR CHIEF FINANCIAL OFFICER WHO WAS EMPLOYED

1 AT THE SCHOOL DISTRICT AT THE TIME THE SCHOOL DISTRICT WAS PLACED IN
2 RECEIVERSHIP IS CURRENTLY EMPLOYED IN ANOTHER SCHOOL DISTRICT OR CHARTER
3 SCHOOL IN THIS STATE.

4 ~~F.~~ V. For the purposes of this section:

5 ~~1. "Delinquent debt" means debts or liability unpaid by the school~~
6 ~~district for a period of more than sixty days from the time of notice.~~

7 ~~2.~~ 1. "Gross mismanagement" means that the school district's officers
8 or employees committed or engaged in gross incompetence or systemic and
9 egregious mismanagement of the school district's finances or financial
10 records.

11 ~~3.~~ 2. "Notice" means written notice personally served or delivered by
12 certified mail, return receipt requested.

13 ~~4.~~ 3. "Receiver" means an individual appointed by the state board of
14 education from the persons recommended by the state board for the purpose of
15 managing a school district placed in receivership by the state board of
16 education.

17 ~~5.~~ 4. "Receivership" means the state or condition of being under the
18 control of the receiver appointed by the state board of education.

19 ~~6.~~ 5. "Superintendent" means the chief executive officer of the
20 school district.

21 Sec. 2. Title 15, chapter 1, article 1, Arizona Revised Statutes, is
22 amended by adding section 15-107 effective from and after June 30, 2008, to
23 read:

24 15-107. School district overexpenditures; fiscal crisis teams;
25 quarterly progress reports; fiscal management report;
26 annual report: actions resulting from
27 overexpenditures; professional development;
28 definition

29 A. A COUNTY SCHOOL SUPERINTENDENT, WITHIN TWO BUSINESS DAYS, SHALL
30 PROVIDE WRITTEN NOTICE TO THE DEPARTMENT OF EDUCATION, IF, IN THE COUNTY
31 SCHOOL SUPERINTENDENT'S JUDGMENT, A SCHOOL DISTRICT HAS COMMITTED AN
32 OVEREXPENDITURE UNDER THIS SECTION. NOTWITHSTANDING ANY OTHER LAW, A WARRANT
33 SHALL NOT BE DRAWN BY A COUNTY SCHOOL SUPERINTENDENT FOR AN EXPENDITURE THAT
34 IS IN EXCESS OF THE AMOUNT BUDGETED AND THAT HAS NOT BEEN PREVIOUSLY
35 EXPENDED, UNLESS THE COUNTY SCHOOL SUPERINTENDENT IS NOTIFIED IN WRITING BY
36 THE DEPARTMENT OF EDUCATION THAT BUDGET CAPACITY EXISTS AS DETERMINED BY THE
37 DEPARTMENT BASED ON INFORMATION PROVIDED BY THE SCHOOL DISTRICT.

38 B. THE DEPARTMENT OF EDUCATION, IN CONJUNCTION WITH THE COUNTY SCHOOL
39 SUPERINTENDENT, SHALL MONITOR THE SCHOOL DISTRICT AND PROVIDE TECHNICAL
40 ASSISTANCE TO THE SCHOOL DISTRICT AND TO THE COUNTY SCHOOL SUPERINTENDENT TO
41 RESOLVE THE OVEREXPENDITURE.

42 C. IF THE DEPARTMENT OF EDUCATION DETERMINES THAT THE SCHOOL DISTRICT
43 HAS FAILED TO TAKE APPROPRIATE ACTION TO RESOLVE THE OVEREXPENDITURE OR THAT
44 THE ORIGINAL NOTICE OF OVEREXPENDITURE PURSUANT TO SUBSECTION A OF THIS
45 SECTION CONSTITUTES AN OVEREXPENDITURE THAT WILL CAUSE THE SCHOOL DISTRICT'S

1 OVERALL EXPENDITURES TO EXCEED THE SCHOOL DISTRICT'S GENERAL BUDGET LIMIT,
2 UNRESTRICTED CAPITAL BUDGET LIMIT OR SOFT CAPITAL ALLOCATION LIMIT BY FIFTY
3 THOUSAND DOLLARS OR ONE-HALF OF ONE PER CENT, WHICHEVER IS LESS, THE
4 DEPARTMENT SHALL REQUEST THAT THE MATTER BE PLACED ON THE AGENDA OF A MEETING
5 OF THE STATE BOARD OF EDUCATION FOR ACTION PURSUANT TO THIS SECTION.

6 D. AT THE REQUEST OF THE DEPARTMENT OF EDUCATION, THE STATE BOARD OF
7 EDUCATION SHALL CALL A PUBLIC MEETING TO CONSIDER OVEREXPENDITURES BY ANY
8 SCHOOL DISTRICT. THE STATE BOARD OF EDUCATION SHALL REQUIRE THE
9 SUPERINTENDENT OF THE SCHOOL DISTRICT AND ANY OTHER SCHOOL DISTRICT PERSONNEL
10 WHO MAY HAVE INFORMATION RELEVANT TO THE OVEREXPENDITURE TO APPEAR BEFORE THE
11 STATE BOARD OF EDUCATION. AFTER TESTIMONY FROM ALL INTERESTED PARTIES, THE
12 STATE BOARD OF EDUCATION SHALL TAKE ONE OF THE FOLLOWING ACTIONS:

13 1. REQUIRE THE DEPARTMENT OF EDUCATION, IN CONJUNCTION WITH THE COUNTY
14 SCHOOL SUPERINTENDENT, TO MONITOR THE EXPENDITURES OF THE SCHOOL DISTRICT.

15 2. DIRECT THE DEPARTMENT OF EDUCATION TO CONTRACT WITH A LEVEL ONE
16 FISCAL CRISIS TEAM. THE LEVEL ONE FISCAL CRISIS TEAM SHALL PROVIDE ON-SITE
17 OVERSIGHT AND OFF-SITE MONITORING FOR THE SCHOOL DISTRICT FOR NO LONGER THAN
18 TWELVE MONTHS AND SHALL ADVISE THE SCHOOL DISTRICT ON ALL FINANCIAL ISSUES
19 AND PROFESSIONAL DEVELOPMENT TRAINING RELATED TO FINANCIAL ISSUES.

20 3. DIRECT THE DEPARTMENT OF EDUCATION TO CONTRACT WITH A LEVEL TWO
21 FISCAL CRISIS TEAM. THE LEVEL TWO FISCAL CRISIS TEAM SHALL PROVIDE ON-SITE
22 OVERSIGHT AND OFF-SITE MONITORING FOR THE SCHOOL DISTRICT FOR NO LONGER THAN
23 TWENTY-FOUR MONTHS, SHALL HAVE THE AUTHORITY PRESCRIBED FOR LEVEL ONE FISCAL
24 CRISIS TEAMS AND MAY OVERRIDE ANY FINANCIAL ACT OR DECISION OF THE SCHOOL
25 DISTRICT, INCLUDING EXPENDITURES.

26 4. APPOINT A RECEIVER WHO, SUBJECT TO THE DISCRETION OF THE STATE
27 BOARD OF EDUCATION, MAY TAKE ANY ACTIONS PRESCRIBED IN SECTION 15-103,
28 SUBSECTION F.

29 E. THE LEVEL ONE AND LEVEL TWO FISCAL CRISIS TEAMS SHALL BE COMPOSED
30 OF AT LEAST ONE PERSON WHO HAS KNOWLEDGE OF SCHOOL FINANCE AND MAY INCLUDE
31 CURRENT OR FORMER SCHOOL DISTRICT FINANCIAL OFFICERS, CURRENT OR FORMER
32 SCHOOL DISTRICT BUSINESS MANAGERS, CERTIFIED PUBLIC ACCOUNTANTS AND CURRENT
33 OR FORMER SCHOOL DISTRICT SUPERINTENDENTS. THE FISCAL CRISIS TEAMS SHALL NOT
34 INCLUDE EMPLOYEES OF THE STATE BOARD OF EDUCATION OR THE DEPARTMENT OF
35 EDUCATION.

36 F. THE EXPENSES INCURRED BY A FISCAL CRISIS TEAM OR BY A RECEIVER
37 APPOINTED PURSUANT TO THIS SECTION SHALL BE PAID BY THE SCHOOL DISTRICT. THE
38 STATE BOARD OF EDUCATION SHALL REVIEW THE EXPENSES AND COSTS OF EACH FISCAL
39 CRISIS TEAM AT LEAST ONCE EACH CALENDAR QUARTER.

40 G. BEGINNING NINETY DAYS AFTER SUBMITTING THE FISCAL MANAGEMENT REPORT
41 PRESCRIBED IN SUBSECTION H OF THIS SECTION, THE FISCAL CRISIS TEAM OR
42 RECEIVER APPOINTED PURSUANT TO THIS SECTION SHALL SUBMIT A DETAILED WRITTEN
43 QUARTERLY PROGRESS REPORT TO THE STATE BOARD OF EDUCATION THAT INCLUDES ALL
44 OF THE FOLLOWING:

1 1. THE RESULTS OF THE REVIEW OF THE SCHOOL DISTRICT'S FINANCES,
2 INCLUDING EXPENDITURES.

3 2. THE RECOMMENDATIONS AND DECISIONS MADE BY THE FISCAL CRISIS TEAM OR
4 THE RECEIVER APPOINTED PURSUANT TO THIS SECTION.

5 3. THE STATUS OF THE FISCAL MANAGEMENT PLAN DESCRIBED PURSUANT TO
6 SUBSECTION H OF THIS SECTION.

7 4. RECOMMENDATIONS TO THE STATE BOARD OF EDUCATION ON THE CONTENT OF
8 PROFESSIONAL DEVELOPMENT TRAINING RELATED TO OVEREXPENDITURES.

9 5. ANY RECOMMENDATIONS OF POTENTIAL ACTION TO BE TAKEN CONCERNING
10 PROFESSIONAL CERTIFICATES ISSUED TO SCHOOL DISTRICT PERSONNEL BY THE STATE
11 BOARD OF EDUCATION OR THE DEPARTMENT OF EDUCATION. THE STATE BOARD OF
12 EDUCATION SHALL REVIEW THE RECOMMENDATIONS SUBMITTED PURSUANT TO THIS
13 PARAGRAPH AND SHALL TAKE APPROPRIATE ACTION.

14 H. AFTER APPOINTMENT, THE FISCAL CRISIS TEAM OR THE RECEIVER APPOINTED
15 PURSUANT TO THIS SECTION SHALL REVIEW THE FINANCIAL AFFAIRS OF THE SCHOOL
16 DISTRICT AND MAY WORK WITH SCHOOL FINANCE PERSONNEL AT THE DEPARTMENT OF
17 EDUCATION TO ENSURE THAT THE FINANCES OF THE SCHOOL DISTRICT ARE IN
18 COMPLIANCE WITH THE LAWS OF THIS STATE. A SCHOOL DISTRICT THAT HAS BEEN
19 ASSIGNED A FISCAL CRISIS TEAM OR A RECEIVER PURSUANT TO THIS SECTION SHALL
20 SUBMIT, IN CONSULTATION WITH THE RECEIVER OR THE FISCAL CRISIS TEAM, A FISCAL
21 MANAGEMENT REPORT TO THE STATE BOARD OF EDUCATION WITHIN ONE HUNDRED TWENTY
22 DAYS AFTER THE DATE THAT THE STATE BOARD OF EDUCATION APPOINTED THE RECEIVER
23 OR THE FISCAL CRISIS TEAM. THE FISCAL MANAGEMENT REPORT SHALL INCLUDE THE
24 FOLLOWING:

25 1. A DESCRIPTION OF THE FISCAL MANAGEMENT PLAN THAT HAS BEEN
26 IMPLEMENTED TO CORRECT THE OVEREXPENDITURE, INCLUDING THE FOLLOWING:

27 (a) THE MANNER IN WHICH THE FISCAL MANAGEMENT PLAN WILL ADDRESS THE
28 FINDINGS AND RECOMMENDATIONS OF THE FISCAL CRISIS TEAM.

29 (b) A TIMELINE FOR COMPLETE RESOLUTION OF THE OVEREXPENDITURE.

30 (c) A DETAILED EXPLANATION OF THE METHODS AND PROCEDURES THAT WILL BE
31 IMPLEMENTED TO PREVENT FUTURE OVEREXPENDITURES.

32 (d) THE IDENTIFICATION OF ANY ISSUES THAT NEED TO BE RESOLVED BEFORE
33 THE FISCAL MANAGEMENT PLAN MAY BE FULLY IMPLEMENTED.

34 (e) THE IDENTIFICATION OF ANY LONG-TERM ISSUES RESULTING FROM THE
35 OVEREXPENDITURE THAT WILL EXTEND TO FUTURE FISCAL YEARS.

36 2. A DESCRIPTION OF THE MANNER IN WHICH THE FISCAL MANAGEMENT PLAN WAS
37 DEVELOPED, INCLUDING IDENTIFICATION OF THE ROLE OF THE FISCAL CRISIS TEAM OR
38 THE RECEIVER, THE ROLE OF THE SCHOOL DISTRICT GOVERNING BOARD AND THE ROLE OF
39 THE ADMINISTRATORS OF THE SCHOOL DISTRICT.

40 I. ON OR BEFORE DECEMBER 31, THE STATE BOARD OF EDUCATION SHALL SUBMIT
41 AN ANNUAL REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER
42 OF THE HOUSE OF REPRESENTATIVES. THE STATE BOARD SHALL PROVIDE A COPY OF
43 THIS REPORT TO THE SECRETARY OF STATE AND THE DIRECTOR OF THE ARIZONA STATE
44 LIBRARY, ARCHIVES AND PUBLIC RECORDS. THE ANNUAL REPORT SHALL INCLUDE THE
45 FOLLOWING:

1 1. A SUMMARIZED COMPILATION OF THE FISCAL MANAGEMENT REPORTS SUBMITTED
2 BY SCHOOL DISTRICTS PURSUANT TO SUBSECTION H OF THIS SECTION.

3 2. THE ACTIONS TAKEN BY THE STATE BOARD OF EDUCATION, THE DEPARTMENT
4 OF EDUCATION, SCHOOL DISTRICTS, FISCAL CRISIS TEAMS AND RECEIVERS DURING THE
5 MOST RECENTLY COMPLETED FISCAL YEAR.

6 3. RECOMMENDATIONS REGARDING IMPROVEMENTS TO THE LAWS OF THIS STATE OR
7 TO ADMINISTRATIVE ACTIONS REQUIRED UNDER THE LAWS OF THIS STATE.

8 J. A SCHOOL DISTRICT THAT IS ASSIGNED A LEVEL TWO FISCAL CRISIS TEAM
9 OR A RECEIVER PURSUANT TO THIS SECTION SHALL REQUIRE PROFESSIONAL DEVELOPMENT
10 TRAINING FOR SCHOOL DISTRICT GOVERNING BOARD MEMBERS AND APPROPRIATE
11 ADMINISTRATIVE PERSONNEL OF THE SCHOOL DISTRICT, INCLUDING THE SCHOOL
12 DISTRICT SUPERINTENDENT, WHO ARE INVOLVED IN DISTRICT FINANCES AND BUDGETING,
13 AS DETERMINED BY THE LEVEL TWO FISCAL CRISIS TEAM OR BY THE RECEIVER. THE
14 PROFESSIONAL DEVELOPMENT TRAINING SHALL BE SELECTED FROM A LIST APPROVED BY
15 THE STATE BOARD OF EDUCATION AND THE COST OF THE PROFESSIONAL DEVELOPMENT
16 TRAINING SHALL BE PAID BY THE SCHOOL DISTRICT. GOVERNING BOARD MEMBERS AND
17 DISTRICT ADMINISTRATIVE PERSONNEL SHALL COMPLETE AT LEAST TWELVE HOURS OF
18 PROFESSIONAL DEVELOPMENT TRAINING WITHIN ONE HUNDRED TWENTY DAYS AFTER THE
19 ASSIGNMENT OF A LEVEL TWO FISCAL CRISIS TEAM OR THE APPOINTMENT OF A
20 RECEIVER. THE FISCAL CRISIS TEAM OR THE RECEIVER SHALL REPORT TO THE STATE
21 BOARD OF EDUCATION WHETHER THE PROFESSIONAL DEVELOPMENT TRAINING REQUIREMENTS
22 PRESCRIBED IN THIS SUBSECTION HAVE BEEN MET.

23 K. A SCHOOL DISTRICT GOVERNING BOARD MEMBER WHO FAILS TO COMPLETE THE
24 PROFESSIONAL DEVELOPMENT TRAINING WITHIN THE TIME PRESCRIBED IN SUBSECTION J
25 OF THIS SECTION IS GUILTY OF NONFEASANCE IN OFFICE, AND THE STATE BOARD OF
26 EDUCATION SHALL FORWARD A COMPLAINT TO THE ATTORNEY GENERAL. THE ATTORNEY
27 GENERAL MAY BRING AN ACTION IN SUPERIOR COURT AGAINST A SCHOOL DISTRICT
28 GOVERNING BOARD MEMBER FOR FAILURE TO COMPLY WITH THE PROFESSIONAL
29 DEVELOPMENT TRAINING REQUIREMENTS PRESCRIBED IN SUBSECTION J OF THIS SECTION.
30 IF A COURT DETERMINES THAT A SCHOOL DISTRICT GOVERNING BOARD MEMBER FAILED TO
31 COMPLY WITH THE PROFESSIONAL DEVELOPMENT TRAINING REQUIREMENTS PRESCRIBED IN
32 SUBSECTION J OF THIS SECTION, THE COURT SHALL ISSUE AN ORDER REMOVING THE
33 SCHOOL DISTRICT GOVERNING BOARD MEMBER FROM OFFICE. ANY VACANCY IN THE
34 OFFICE OF THE SCHOOL DISTRICT GOVERNING BOARD AS A RESULT OF A COURT ORDER
35 ISSUED PURSUANT TO THIS SUBSECTION SHALL BE FILLED IN THE MANNER PROVIDED BY
36 LAW.

37 L. IF ANY OF THE ADMINISTRATIVE PERSONNEL OF THE SCHOOL DISTRICT FAIL
38 TO COMPLETE THE PROFESSIONAL DEVELOPMENT TRAINING WITHIN THE TIME PRESCRIBED
39 IN SUBSECTION J OF THIS SECTION, THE STATE BOARD OF EDUCATION MAY TAKE
40 APPROPRIATE ACTION CONCERNING CURRENT CERTIFICATES HELD BY THAT PERSON.

41 M. ALL INFORMATION RECEIVED AND RECORDS OR REPORTS KEPT BY THE STATE
42 BOARD OF EDUCATION DURING AN INVESTIGATION RESULTING FROM A COMPLAINT AGAINST
43 A RECEIVER APPOINTED PURSUANT TO THIS SECTION OR SECTION 15-103 ARE
44 CONFIDENTIAL AND NOT A PUBLIC RECORD.

1 N. FOR THE PURPOSES OF THIS SECTION, "OVEREXPENDITURE" MEANS AN
2 EXPENDITURE IN EXCESS OF ANY OF THE FOLLOWING:

3 1. THE GENERAL BUDGET LIMIT OF THE SCHOOL DISTRICT OR THE AMOUNT
4 BUDGETED BY THE SCHOOL DISTRICT, WHICHEVER IS LESS.

5 2. THE UNRESTRICTED CAPITAL BUDGET LIMIT OF THE SCHOOL DISTRICT OR THE
6 AMOUNT BUDGETED FOR CAPITAL BY THE SCHOOL DISTRICT, WHICHEVER IS LESS.

7 3. THE SOFT CAPITAL ALLOCATION LIMIT OF THE SCHOOL DISTRICT OR THE
8 AMOUNT BUDGETED FOR SOFT CAPITAL BY THE SCHOOL DISTRICT, WHICHEVER IS LESS.

9 Sec. 3. Section 15-203, Arizona Revised Statutes, is amended effective
10 from and after June 30, 2008, to read:

11 15-203. Powers and duties

12 A. The state board of education shall:

13 1. Exercise general supervision over and regulate the conduct of the
14 public school system and adopt any rules and policies it deems necessary to
15 accomplish this purpose.

16 2. Keep a record of its proceedings.

17 3. Make rules for its own government.

18 4. Determine the policy and work undertaken by it.

19 5. Appoint its employees, on the recommendation of the superintendent
20 of public instruction.

21 6. Prescribe the duties of its employees if not prescribed by statute.

22 7. Delegate to the superintendent of public instruction the execution
23 of board policies and rules.

24 8. Recommend to the legislature changes or additions to the statutes
25 pertaining to schools.

26 9. Prepare, publish and distribute reports concerning the educational
27 welfare of this state.

28 10. Prepare a budget for expenditures necessary for proper maintenance
29 of the board and accomplishment of its purposes and present the budget to the
30 legislature.

31 11. Aid in the enforcement of laws relating to schools.

32 12. Prescribe a minimum course of study in the common schools, minimum
33 competency requirements for the promotion of pupils from the third grade and
34 minimum course of study and competency requirements for the promotion of
35 pupils from the eighth grade. The state board of education shall prepare a
36 fiscal impact statement of any proposed changes to the minimum course of
37 study or competency requirements and, on completion, shall send a copy to the
38 director of the joint legislative budget committee and the executive director
39 of the school facilities board. The state board of education shall not adopt
40 any changes in the minimum course of study or competency requirements in
41 effect on July 1, 1998 that will have a fiscal impact on school capital
42 costs.

43 13. Prescribe minimum course of study and competency requirements for
44 the graduation of pupils from high school. The state board of education
45 shall prepare a fiscal impact statement of any proposed changes to the

1 minimum course of study or competency requirements and, on completion, shall
2 send a copy to the director of the joint legislative budget committee and the
3 executive director of the school facilities board. The state board of
4 education shall not adopt any changes in the minimum course of study or
5 competency requirements in effect on July 1, 1998 that will have a fiscal
6 impact on school capital costs.

7 14. Supervise and control the certification of persons engaged in
8 instructional work directly as any classroom, laboratory or other teacher or
9 indirectly as a supervisory teacher, speech therapist, principal or
10 superintendent in a school district, including school district preschool
11 programs, or any other educational institution below the community college,
12 college or university level, and prescribe rules for certification, including
13 rules for certification of teachers who have teaching experience and who are
14 trained in other states, which are not unnecessarily restrictive and are
15 substantially similar to the rules prescribed for the certification of
16 teachers trained in this state. The rules shall require applicants for all
17 certificates for common school instruction to complete a minimum of
18 forty-five classroom hours or three college level credit hours, or the
19 equivalent, of training in research based systematic phonics instruction from
20 a public or private provider. The rules shall not require a teacher to
21 obtain a master's degree or to take any additional graduate courses as a
22 condition of certification or recertification. The rules shall allow a
23 general equivalency diploma to be substituted for a high school diploma in
24 the certification of emergency substitute teachers.

25 15. Adopt a list of approved tests for determining special education
26 assistance to gifted pupils as defined in and as provided in chapter 7,
27 article 4.1 of this title. The adopted tests shall provide separate scores
28 for quantitative reasoning, verbal reasoning and nonverbal reasoning and
29 shall be capable of providing reliable and valid scores at the highest ranges
30 of the score distribution.

31 16. Adopt rules governing the methods for the administration of all
32 proficiency examinations.

33 17. Adopt proficiency examinations for its use. The state board of
34 education shall determine the passing score for the proficiency examination.

35 18. Include within its budget the cost of contracting for the purchase,
36 distribution and scoring of the examinations as provided in paragraphs 16 and
37 17 of this subsection.

38 19. Supervise and control the qualifications of professional
39 nonteaching school personnel and prescribe standards relating to
40 qualifications.

41 20. Impose such disciplinary action, including the issuance of a letter
42 of censure, suspension, suspension with conditions or revocation of a
43 certificate, upon a finding of immoral or unprofessional conduct.

44 21. Establish an assessment, data gathering and reporting system for
45 pupil performance as prescribed in chapter 7, article 3 of this title.

1 22. Adopt a rule to promote braille literacy pursuant to section
2 15-214.

3 23. Adopt rules prescribing procedures for the investigation by the
4 department of education of every written complaint alleging that a
5 certificated person has engaged in immoral conduct.

6 24. For purposes of federal law, serve as the state board for
7 vocational and technological education and meet at least four times each year
8 solely to execute the powers and duties of the state board for vocational and
9 technological education.

10 25. Develop and maintain a handbook for use in the schools of this
11 state that provides guidance for the teaching of moral, civic and ethical
12 education. The handbook shall promote existing curriculum frameworks and
13 shall encourage school districts to recognize moral, civic and ethical values
14 within instructional and programmatic educational development programs for
15 the general purpose of instilling character and ethical principles in pupils
16 in kindergarten programs and grades one through twelve.

17 26. Require pupils to recite the following passage from the declaration
18 of independence for pupils in grades four through six at the commencement of
19 the first class of the day in the schools, except that a pupil shall not be
20 required to participate if the pupil or the pupil's parent or guardian
21 objects:

22 We hold these truths to be self-evident, that all men are
23 created equal, that they are endowed by their creator with
24 certain unalienable rights, that among these are life, liberty
25 and the pursuit of happiness. That to secure these rights,
26 governments are instituted among men, deriving their just powers
27 from the consent of the governed. . . .

28 27. Adopt rules that provide for teacher certification reciprocity.
29 The rules shall provide for a one year reciprocal teaching certificate with
30 minimum requirements including valid teacher certification from a state with
31 substantially similar criminal history or teacher fingerprinting requirements
32 and proof of the submission of an application for a fingerprint clearance
33 card pursuant to title 41, chapter 12, article 3.1.

34 28. Adopt rules that will be in effect until December 31, 2006 and that
35 provide for the presentation of an honorary high school diploma to a person
36 who has never obtained a high school diploma and who meets each of the
37 following requirements:

38 (a) Is at least sixty-five years of age.

39 (b) Currently resides in this state.

40 (c) Provides documented evidence from the Arizona department of
41 veterans' services that the person enlisted in the armed forces of the United
42 States before completing high school in a public or private school.

43 (d) Was honorably discharged from service with the armed forces of the
44 United States.

1 29. Cooperate with the Arizona-Mexico commission in the governor's
2 office and with researchers at universities in this state to collect data and
3 conduct projects in the United States and Mexico on issues that are within
4 the scope of the duties of the department of education and that relate to
5 quality of life, trade and economic development in this state in a manner
6 that will help the Arizona-Mexico commission to assess and enhance the
7 economic competitiveness of this state and of the Arizona-Mexico region.

8 30. Adopt rules to define and provide guidance to schools as to the
9 activities that would constitute immoral or unprofessional conduct of
10 certificated persons.

11 31. Adopt guidelines to encourage pupils in grades nine, ten, eleven
12 and twelve to volunteer for twenty hours of community service before
13 graduation from high school. A school district that complies with the
14 guidelines adopted pursuant to this paragraph is not liable for damages
15 resulting from a pupil's participation in community service unless the school
16 district is found to have demonstrated wanton or reckless disregard for the
17 safety of the pupil and other participants in community service. For the
18 purposes of this paragraph, "community service" may include service learning.
19 The guidelines shall include the following:

20 (a) A list of the general categories in which community service may be
21 performed.

22 (b) A description of the methods by which community service will be
23 monitored.

24 (c) A consideration of risk assessment for community service projects.

25 (d) Orientation and notification procedures of community service
26 opportunities for pupils entering grade nine including the development of a
27 notification form. The notification form shall be signed by the pupil and
28 the pupil's parent or guardian, except that a pupil shall not be required to
29 participate in community service if the parent or guardian notifies the
30 principal of the pupil's school in writing that the parent or guardian does
31 not wish the pupil to participate in community service.

32 (e) Procedures for a pupil in grade nine to prepare a written proposal
33 that outlines the type of community service that the pupil would like to
34 perform and the goals that the pupil hopes to achieve as a result of
35 community service. The pupil's written proposal shall be reviewed by a
36 faculty advisor, a guidance counselor or any other school employee who is
37 designated as the community service program coordinator for that school. The
38 pupil may alter the written proposal at any time before performing community
39 service.

40 (f) Procedures for a faculty advisor, a guidance counselor or any
41 other school employee who is designated as the community service program
42 coordinator to evaluate and certify the completion of community service
43 performed by pupils.

44 32. To facilitate the transfer of military personnel and their
45 dependents to and from the public schools of this state, pursue, in

1 cooperation with the Arizona board of regents, reciprocity agreements with
2 other states concerning the transfer credits for military personnel and their
3 dependents. A reciprocity agreement entered into pursuant to this paragraph
4 shall:

5 (a) Address procedures for each of the following:

6 (i) The transfer of student records.

7 (ii) Awarding credit for completed course work.

8 (iii) Permitting a student to satisfy the graduation requirements
9 prescribed in section 15-701.01 through the successful performance on
10 comparable exit-level assessment instruments administered in another state.

11 (b) Include appropriate criteria developed by the state board of
12 education and the Arizona board of regents.

13 33. Adopt guidelines that school district governing boards shall use in
14 identifying pupils who are eligible for gifted programs and in providing
15 gifted education programs and services. The state board of education shall
16 adopt any other guidelines and rules that it deems necessary in order to
17 carry out the purposes of chapter 7, article 4.1 of this title.

18 34. ADOPT A LIST OF APPROVED PROFESSIONAL DEVELOPMENT TRAINING
19 PROVIDERS FOR USE BY SCHOOL DISTRICTS AS PROVIDED IN SECTION 15-107,
20 SUBSECTION J. THE PROFESSIONAL DEVELOPMENT TRAINING PROVIDERS SHALL MEET THE
21 TRAINING CURRICULUM REQUIREMENTS DETERMINED BY THE STATE BOARD OF EDUCATION
22 IN AT LEAST THE AREAS OF SCHOOL FINANCE, GOVERNANCE, EMPLOYMENT, STAFFING,
23 INVENTORY AND HUMAN RESOURCES, INTERNAL CONTROLS AND PROCUREMENT.

24 B. The state board of education may:

25 1. Contract.

26 2. Sue and be sued.

27 3. Distribute and score the tests prescribed in chapter 7, article 3
28 of this title.

29 4. Provide for an advisory committee to conduct hearings and
30 screenings to determine whether grounds exist to impose disciplinary action
31 against a certificated person, whether grounds exist to reinstate a revoked
32 or surrendered certificate and whether grounds exist to approve or deny an
33 initial application for certification or a request for renewal of a
34 certificate. The board may delegate its responsibility to conduct hearings
35 and screenings to its advisory committee. Hearings shall be conducted
36 pursuant to title 41, chapter 6, article 6.

37 5. Proceed with the disposal of any complaint requesting disciplinary
38 action or with any disciplinary action against a person holding a certificate
39 as prescribed in subsection A, paragraph 14 of this section after the
40 suspension or expiration of the certificate or surrender of the certificate
41 by the holder.

42 6. Assess costs and reasonable attorney fees against a person who
43 files a frivolous complaint or who files a complaint in bad faith. Costs
44 assessed pursuant to this paragraph shall not exceed the expenses incurred by
45 the state board in the investigation of the complaint.

1 Sec. 4. Section 15-272, Arizona Revised Statutes, is amended effective
2 from and after June 30, 2008, to read:

3 15-272. Duties of department of education for uniform system of
4 financial records

5 A. The department of education shall advise and consult with the
6 auditor general in the preparation and implementation of a uniform system of
7 financial records.

8 B. The state board of education, ~~shall upon~~ ON report from the auditor
9 general, ~~SHALL~~ determine whether school districts are maintaining the uniform
10 system of financial records. If the state board of education determines that
11 a school district is not in compliance with the uniform system of financial
12 records or has failed to correct a deficiency within ninety days after
13 receiving notice from the auditor general, the state board of education ~~may~~
14 ~~SHALL~~ direct the superintendent of public instruction to withhold ~~any~~ UP TO
15 TEN PER CENT OF THE portion of state ~~funds~~ MONIES to the school district FOR
16 EACH VIOLATION from the date of the determination until such time as the
17 auditor general reports compliance with the uniform system of financial
18 records. The auditor general and the department of education shall assist
19 the school district to achieve compliance during such period.

20 C. THE GENERAL BUDGET LIMIT AND MAINTENANCE AND OPERATIONS SECTION OF
21 THE BUDGET FOR THE CURRENT YEAR AND FOR THE BUDGET YEAR IF THE SCHOOL
22 DISTRICT IS NOT IN COMPLIANCE BEFORE THE END OF THE CURRENT YEAR, SHALL BE
23 REDUCED BY THE AMOUNT DETERMINED IN SUBSECTION B UNTIL THE STATE BOARD OF
24 EDUCATION DETERMINES THAT THE SCHOOL DISTRICT IS IN COMPLIANCE.

25 D. IF COMPLIANCE IS DETERMINED BY THE STATE BOARD OF EDUCATION IN THE
26 SAME YEAR AS THE DETERMINATION OF NONCOMPLIANCE OR IN THE FIRST YEAR AFTER
27 THE FISCAL YEAR OF THE DETERMINATION OF NONCOMPLIANCE, THE RESULTING
28 ADJUSTMENT TO BUDGETED MAINTENANCE AND OPERATIONS AND TO THE GENERAL BUDGET
29 LIMIT MAY BE APPLIED TO THE FISCAL YEAR OF THE DETERMINATION OF NONCOMPLIANCE
30 EQUAL TO THE AMOUNT ADJUSTED IN THAT FISCAL YEAR OR TO THE CURRENT YEAR EQUAL
31 TO THE AMOUNT ADJUSTED IN THE CURRENT YEAR. PREVIOUSLY WITHHELD MONIES THAT
32 RESULTED FROM THE DETERMINATION OF NONCOMPLIANCE SHALL BE RETURNED IN THE
33 YEAR COMPLIANCE IS DETERMINED.

34 Sec. 5. Section 15-304, Arizona Revised Statutes, is amended effective
35 from and after June 30, 2008, to read:

36 15-304. Warrants; limitations; definition

37 A. The county school superintendent, on the voucher of the governing
38 board of a school district, shall draw ~~his~~ THE COUNTY SCHOOL SUPERINTENDENT'S
39 warrant on the county treasurer for all necessary expenses against the school
40 fund of the district. The warrants shall be drawn in the order in which the
41 vouchers are filed in ~~his~~ THE COUNTY SCHOOL SUPERINTENDENT'S office. ~~UNLESS~~
42 NOTIFIED BY THE DEPARTMENT OF EDUCATION PURSUANT TO SECTION 15-107, a warrant
43 shall not be drawn for an expenditure from the maintenance and operation,
44 capital outlay, adjacent ways and federal and state grant funds for a purpose
45 not included in the budget of the school district or for an expenditure in

1 excess of the amount budgeted and not previously expended, except for
2 expenditures authorized by the board of supervisors as provided in section
3 15-907. The county school superintendent shall not draw a warrant for an
4 expenditure from any school district fund except the maintenance and
5 operation, capital outlay or adjacent ways fund or federal and state grant
6 funds unless sufficient cash is available in the fund according to the
7 records of the county school superintendent. The county school
8 superintendent may only draw a warrant for an expenditure from a federal or
9 state grant fund when sufficient cash is not available in the grant fund if
10 the county treasurer maintains the two accounts as provided in section
11 15-996, paragraph 1 and if the county school superintendent determines that
12 the expenditures are included in the budget section of the approved grant
13 application.

14 B. A COUNTY SCHOOL SUPERINTENDENT, WITHIN TWO BUSINESS DAYS, SHALL
15 PROVIDE WRITTEN NOTICE TO THE DEPARTMENT OF EDUCATION, IF, IN THE COUNTY
16 SCHOOL SUPERINTENDENT'S JUDGMENT, A SCHOOL DISTRICT HAS COMMITTED AN
17 OVEREXPENDITURE AS DEFINED IN SECTION 15-107.

18 C. THE STATE BOARD OF EDUCATION SHALL REQUIRE A COUNTY SCHOOL
19 SUPERINTENDENT WHO FAILS TO COMPLY WITH THE NOTIFICATION REQUIREMENTS OF
20 SUBSECTION B OF THIS SECTION TO COMPLETE PROFESSIONAL DEVELOPMENT TRAINING.
21 THE STATE BOARD OF EDUCATION MAY ALSO REQUIRE THE EMPLOYEES OF A COUNTY
22 SCHOOL SUPERINTENDENT WHO ARE INVOLVED IN SCHOOL DISTRICT FINANCES AND
23 BUDGETING TO COMPLETE PROFESSIONAL DEVELOPMENT TRAINING. THE PROFESSIONAL
24 DEVELOPMENT TRAINING SHALL BE SELECTED FROM A LIST APPROVED BY THE STATE
25 BOARD OF EDUCATION AND THE COST OF THE PROFESSIONAL DEVELOPMENT TRAINING
26 SHALL BE PAID BY THE COUNTY SCHOOL SUPERINTENDENT. COUNTY SCHOOL
27 SUPERINTENDENTS AND EMPLOYEES OF THE COUNTY SCHOOL SUPERINTENDENT WHO ARE
28 INVOLVED IN DISTRICT FINANCES AND BUDGETING SHALL COMPLETE AT LEAST TWELVE
29 HOURS OF PROFESSIONAL DEVELOPMENT TRAINING WITHIN ONE HUNDRED TWENTY DAYS
30 AFTER THE DECISION OF THE STATE BOARD OF EDUCATION TO REQUIRE PROFESSIONAL
31 DEVELOPMENT TRAINING OF THE COUNTY SCHOOL SUPERINTENDENT AND THE EMPLOYEES OF
32 THE COUNTY SCHOOL SUPERINTENDENT WHO ARE INVOLVED IN DISTRICT FINANCES AND
33 BUDGETING.

34 D. A COUNTY SCHOOL SUPERINTENDENT WHO FAILS TO COMPLETE THE
35 PROFESSIONAL DEVELOPMENT TRAINING WITHIN THE TIME PRESCRIBED IN SUBSECTION C
36 OF THIS SECTION IS GUILTY OF NONFEASANCE IN OFFICE, AND THE STATE BOARD OF
37 EDUCATION SHALL FORWARD A COMPLAINT TO THE ATTORNEY GENERAL. THE ATTORNEY
38 GENERAL MAY BRING AN ACTION IN SUPERIOR COURT AGAINST A COUNTY SCHOOL
39 SUPERINTENDENT FOR FAILURE TO COMPLY WITH THE PROFESSIONAL DEVELOPMENT
40 TRAINING REQUIREMENTS PRESCRIBED IN SUBSECTION C OF THIS SECTION. IF A COURT
41 DETERMINES THAT A COUNTY SCHOOL SUPERINTENDENT FAILED TO COMPLY WITH THE
42 PROFESSIONAL DEVELOPMENT TRAINING REQUIREMENTS PRESCRIBED IN SUBSECTION C OF
43 THIS SECTION, THE COURT SHALL ISSUE AN ORDER REMOVING THE COUNTY SCHOOL
44 SUPERINTENDENT FROM OFFICE.

1 E. A COUNTY SCHOOL SUPERINTENDENT WHO FAILS TO COMPLY WITH THE
2 NOTIFICATION REQUIREMENTS OF SUBSECTION B OF THIS SECTION MORE THAN ONCE IS
3 GUILTY OF UNPROFESSIONAL CONDUCT. THE ATTORNEY GENERAL MAY COMMENCE AN
4 ACTION IN SUPERIOR COURT TO ENFORCE THIS SUBSECTION AGAINST ANY COUNTY SCHOOL
5 SUPERINTENDENT WHO VIOLATES THE NOTIFICATION REQUIREMENTS OF SUBSECTION B OF
6 THIS SECTION MORE THAN ONCE. IF THE COURT DETERMINES THAT A COUNTY SCHOOL
7 SUPERINTENDENT IS GUILTY OF UNPROFESSIONAL CONDUCT, THE COURT SHALL ISSUE AN
8 ORDER DIRECTING THE REMOVAL OF THE COUNTY SCHOOL SUPERINTENDENT FROM OFFICE.

9 F. ANY VACANCY IN THE OFFICE OF COUNTY SCHOOL SUPERINTENDENT SHALL BE
10 FILLED IN THE MANNER PRESCRIBED BY SECTION 11-251.

11 ~~F.~~ G. For THE purposes of this section, "voucher" means a summary
12 cover sheet and either copies of the invoices of the expenditure or a listing
13 of the invoice detail.

14 Sec. 6. Section 15-341, Arizona Revised Statutes, is amended effective
15 from and after June 30, 2008, to read:

16 15-341. General powers and duties; immunity; delegation

17 A. The governing board shall:

18 1. Prescribe and enforce policies and procedures for the governance of
19 the schools, not inconsistent with law or rules prescribed by the state board
20 of education.

21 2. Maintain the schools established by it for the attendance of each
22 pupil for a period of not less than one hundred seventy-five school days or
23 two hundred school days, as applicable, or its equivalent as approved by the
24 superintendent of public instruction for a school district operating on a
25 year-round operation basis, to offer an educational program on the basis of a
26 four day school week or to offer an alternative kindergarten program on the
27 basis of a three day school week, in each school year, and if the funds of
28 the district are sufficient, for a longer period, and as far as practicable
29 with equal rights and privileges.

30 3. Exclude from schools all books, publications, papers or audiovisual
31 materials of a sectarian, partisan or denominational character.

32 4. Manage and control the school property within its district.

33 5. Acquire school furniture, apparatus, equipment, library books and
34 supplies for the use of the schools.

35 6. Prescribe the curricula and criteria for the promotion and
36 graduation of pupils as provided in sections 15-701 and 15-701.01.

37 7. Furnish, repair and insure, at full insurable value, the school
38 property of the district.

39 8. Construct school buildings on approval by a vote of the district
40 electors.

41 9. Make in the name of the district conveyances of property belonging
42 to the district and sold by the board.

43 10. Purchase school sites when authorized by a vote of the district at
44 an election conducted as nearly as practicable in the same manner as the
45 election provided in section 15-481 and held on a date prescribed in section

1 15-491, subsection E, but such authorization shall not necessarily specify
2 the site to be purchased and such authorization shall not be necessary to
3 exchange unimproved property as provided in section 15-342, paragraph 23.

4 11. Construct, improve and furnish buildings used for school purposes
5 when such buildings or premises are leased from the national park service.

6 12. Purchase school sites or construct, improve and furnish school
7 buildings from the proceeds of the sale of school property only on approval
8 by a vote of the district electors.

9 13. Hold pupils to strict account for disorderly conduct on school
10 property.

11 14. Discipline students for disorderly conduct on the way to and from
12 school.

13 15. Except as provided in section 15-1224, deposit all monies received
14 by the district as gifts, grants and devises with the county treasurer who
15 shall credit the deposits as designated in the uniform system of financial
16 records. If not inconsistent with the terms of the gifts, grants and devises
17 given, any balance remaining after expenditures for the intended purpose of
18 the monies have been made shall be used for reduction of school district
19 taxes for the budget year, except that in the case of accommodation schools
20 the county treasurer shall carry the balance forward for use by the county
21 school superintendent for accommodation schools for the budget year.

22 16. Provide that, if a parent or legal guardian chooses not to accept a
23 decision of the teacher as provided in section 15-521, paragraph 3, the
24 parent or legal guardian may request in writing that the governing board
25 review the teacher's decision. Nothing in this paragraph shall be construed
26 to release school districts from any liability relating to a child's
27 promotion or retention.

28 17. Provide for adequate supervision over pupils in instructional and
29 noninstructional activities by certificated or noncertificated personnel.

30 18. Use school monies received from the state and county school
31 apportionment exclusively for payment of salaries of teachers and other
32 employees and contingent expenses of the district.

33 19. Make an annual report to the county school superintendent on or
34 before October 1 each year in the manner and form and on the blanks
35 prescribed by the superintendent of public instruction or county school
36 superintendent. The board shall also make reports directly to the county
37 school superintendent or the superintendent of public instruction whenever
38 required.

39 20. Deposit all monies received by school districts other than student
40 activities monies or monies from auxiliary operations as provided in sections
41 15-1125 and 15-1126 with the county treasurer to the credit of the school
42 district except as provided in paragraph 21 of this subsection and sections
43 15-1223 and 15-1224, and the board shall expend the monies as provided by law
44 for other school funds.

1 21. Establish a bank account in which the board during a month may
2 deposit miscellaneous monies received directly by the district. The board
3 shall remit monies deposited in the bank account at least monthly to the
4 county treasurer for deposit as provided in paragraph 20 of this subsection
5 and in accordance with the uniform system of financial records.

6 22. Employ an attorney admitted to practice in this state whose
7 principal practice is in the area of commercial real estate, or a real estate
8 broker who is licensed by this state and who is employed by a reputable
9 commercial real estate company, to negotiate a lease of five or more years
10 for the school district if the governing board decides to enter into a lease
11 of five or more years as lessor of school buildings or grounds as provided in
12 section 15-342, paragraph 7 or 10. Any lease of five or more years
13 negotiated pursuant to this paragraph shall provide that the lessee is
14 responsible for payment of property taxes pursuant to the requirements of
15 section 42-11104.

16 23. Prescribe and enforce policies and procedures for disciplinary
17 action against a teacher who engages in conduct that is a violation of the
18 policies of the governing board but that is not cause for dismissal of the
19 teacher or for revocation of the certificate of the teacher. Disciplinary
20 action may include suspension without pay for a period of time not to exceed
21 ten school days. Disciplinary action shall not include suspension with pay
22 or suspension without pay for a period of time longer than ten school days.
23 The procedures shall include notice, hearing and appeal provisions for
24 violations that are cause for disciplinary action. The governing board may
25 designate a person or persons to act on behalf of the board on these matters.

26 24. Prescribe and enforce policies and procedures for disciplinary
27 action against an administrator who engages in conduct that is a violation of
28 the policies of the governing board regarding duties of administrators but
29 that is not cause for dismissal of the administrator or for revocation of the
30 certificate of the administrator. Disciplinary action may include suspension
31 without pay for a period of time not to exceed ten school days. Disciplinary
32 action shall not include suspension with pay or suspension without pay for a
33 period of time longer than ten school days. The procedures shall include
34 notice, hearing and appeal provisions for violations that are cause for
35 disciplinary action. The governing board may designate a person or persons
36 to act on behalf of the board on these matters. For violations that are
37 cause for dismissal, the provisions of notice, hearing and appeal in chapter
38 5, article 3 of this title shall apply. The filing of a timely request for a
39 hearing suspends the imposition of a suspension without pay or a dismissal
40 pending completion of the hearing.

41 25. Notwithstanding section 13-3108, prescribe and enforce policies and
42 procedures that prohibit a person from carrying or possessing a weapon on
43 school grounds unless the person is a peace officer or has obtained specific
44 authorization from the school administrator.

1 26. Prescribe and enforce policies and procedures relating to the
2 health and safety of all pupils participating in district sponsored practice
3 sessions, games or other interscholastic athletic activities, including the
4 provision of water.

5 27. Prescribe and enforce policies and procedures regarding the smoking
6 of tobacco within school buildings. The policies and procedures shall be
7 adopted in consultation with school district personnel and members of the
8 community and shall state whether smoking is prohibited in school buildings.
9 If smoking in school buildings is not prohibited, the policies and procedures
10 shall clearly state the conditions and circumstances under which smoking is
11 permitted, those areas in a school building that may be designated as smoking
12 areas and those areas in a school building that may not be designated as
13 smoking areas.

14 28. Establish an assessment, data gathering and reporting system as
15 prescribed in chapter 7, article 3 of this title.

16 29. Provide special education programs and related services pursuant to
17 section 15-764, subsection A to all children with disabilities as defined in
18 section 15-761.

19 30. Administer competency tests prescribed by the state board of
20 education for the graduation of pupils from high school.

21 31. Secure insurance coverage for all construction projects for
22 purposes of general liability, property damage and workers' compensation and
23 secure performance and payment bonds for all construction projects.

24 32. Keep on file the resumes of all current and former employees who
25 provide instruction to pupils at a school. Resumes shall include an
26 individual's educational and teaching background and experience in a
27 particular academic content subject area. A school district shall inform
28 parents and guardians of the availability of the resume information and shall
29 make the resume information available for inspection on request of parents
30 and guardians of pupils enrolled at a school. Nothing in this paragraph
31 shall be construed to require any school to release personally identifiable
32 information in relation to any teacher or employee including the teacher's or
33 employee's address, salary, social security number or telephone number.

34 33. Report to local law enforcement agencies any suspected crime
35 against a person or property that is a serious offense as defined in section
36 13-604 or that involves a deadly weapon or dangerous instrument or serious
37 physical injury and any conduct that poses a threat of death or serious
38 physical injury to employees, students or anyone on the property of the
39 school. This paragraph does not limit or preclude the reporting by a school
40 district or an employee of a school district of suspected crimes other than
41 those required to be reported by this paragraph. For the purposes of this
42 paragraph, "dangerous instrument", "deadly weapon" and "serious physical
43 injury" have the same ~~meaning~~ MEANINGS prescribed in section 13-105.

1 34. In conjunction with local law enforcement agencies and local
2 medical facilities, develop an emergency response plan for each school in the
3 school district in accordance with minimum standards developed jointly by the
4 department of education and the division of emergency management within the
5 department of emergency and military affairs.

6 35. Annually assign at least one school district employee to
7 participate in a multihazard crisis training program developed or selected by
8 the governing board.

9 36. Provide written notice to the parents or guardians of all students
10 affected in the school district at least thirty days prior to a public
11 meeting to discuss closing a school within the school district. The notice
12 shall include the reasons for the proposed closure and the time and place of
13 the meeting. The governing board shall fix a time for a public meeting on
14 the proposed closure no less than thirty days before voting in a public
15 meeting to close the school. The school district governing board shall give
16 notice of the time and place of the meeting. At the time and place
17 designated in the notice, the school district governing board shall hear
18 reasons for or against closing the school. The school district governing
19 board is exempt from this paragraph if it is determined by the governing
20 board that the school shall be closed because it poses a danger to the health
21 or safety of the pupils or employees of the school.

22 37. Incorporate instruction on Native American history into appropriate
23 existing curricula.

24 38. Prescribe and enforce policies and procedures allowing pupils who
25 have been diagnosed with anaphylaxis by a health care provider licensed
26 pursuant to title 32, chapter 13, 14, 17 or 25 or by a registered nurse
27 practitioner licensed and certified pursuant to title 32, chapter 15 to carry
28 and self-administer emergency medications including auto-injectable
29 epinephrine while at school and at school sponsored activities. The pupil's
30 name on the prescription label on the medication container or on the
31 medication device and annual written documentation from the pupil's parent or
32 guardian to the school that authorizes possession and self-administration is
33 sufficient proof that the pupil is entitled to the possession and
34 self-administration of the medication. The policies shall require a pupil
35 who uses auto-injectable epinephrine while at school and at school sponsored
36 activities to notify the nurse or the designated school staff person of the
37 use of the medication as soon as practicable. A school district and its
38 employees are immune from civil liability with respect to all decisions made
39 and actions taken that are based on good faith implementation of the
40 requirements of this paragraph, except in cases of wanton or wilful neglect.

41 39. Allow the possession and self-administration of prescription
42 medication for breathing disorders in handheld inhaler devices, ~~by~~ by pupils
43 who have been prescribed that medication by a health care professional
44 licensed pursuant to title 32. The pupil's name on the prescription label on
45 the medication container or on the handheld inhaler device and annual written

1 documentation from the pupil's parent or guardian to the school that
2 authorizes possession and self-administration shall be sufficient proof that
3 the pupil is entitled to the possession and self-administration of the
4 medication. A school district and its employees are immune from civil
5 liability with respect to all decisions made and actions taken that are based
6 on a good faith implementation of the requirements of this paragraph.

7 40. Prescribe and enforce policies and procedures to prohibit pupils
8 from harassing, intimidating and bullying other pupils on school grounds, on
9 school property, on school buses, at school bus stops and at school sponsored
10 events and activities that include the following components:

11 (a) A procedure for pupils to confidentially report to school
12 officials incidents of harassment, intimidation or bullying.

13 (b) A procedure for parents and guardians of pupils to submit written
14 reports to school officials of suspected incidents of harassment,
15 intimidation or bullying.

16 (c) A requirement that school district employees report suspected
17 incidents of harassment, intimidation or bullying to the appropriate school
18 official.

19 (d) A formal process for the documentation of reported incidents of
20 harassment, intimidation or bullying, except that no documentation shall be
21 maintained unless the harassment, intimidation or bullying has been proven.

22 (e) A formal process for the investigation by the appropriate school
23 officials of suspected incidents of harassment, intimidation or bullying.

24 (f) Disciplinary procedures for pupils who have admitted or been found
25 to have committed incidents of harassment, intimidation or bullying.

26 (g) A procedure that sets forth consequences for submitting false
27 reports of incidents of harassment, intimidation or bullying.

28 41. Prescribe and enforce policies and procedures regarding changing or
29 adopting attendance boundaries that include the following components:

30 (a) A procedure for holding public meetings to discuss attendance
31 boundary changes or adoptions that allows public comments.

32 (b) A procedure to notify the parents or guardians of the students
33 affected.

34 (c) A procedure to notify the residents of the households affected by
35 the attendance boundary changes.

36 (d) A process for placing public meeting notices and proposed maps on
37 the school district's website for public review, if the school district
38 maintains a website.

39 (e) A formal process for presenting the attendance boundaries of the
40 affected area in public meetings that allows public comments.

41 (f) A formal process for notifying the residents and parents or
42 guardians of the affected area as to the decision of the governing board on
43 the school district's website, if the school district maintains a website.

44 (g) A formal process for updating attendance boundaries on the school
45 district's website within ninety days of an adopted boundary change. The

1 school district shall send a direct link to the school district's attendance
2 boundaries website to the department of real estate.

3 (h) If the land that a school was built on was donated within the past
4 five years, a formal process to notify the entity ~~who~~ THAT donated the land
5 affected by the decision of the governing board.

6 42. IF THE STATE BOARD OF EDUCATION DETERMINES THAT THE SCHOOL DISTRICT
7 HAS COMMITTED AN OVEREXPENDITURE AS DEFINED IN SECTION 15-107, PROVIDE A COPY
8 OF THE FISCAL MANAGEMENT REPORT SUBMITTED PURSUANT TO SECTION 15-107,
9 SUBSECTION H ON ITS WEBSITE AND MAKE COPIES AVAILABLE TO THE PUBLIC ON
10 REQUEST. THE SCHOOL DISTRICT SHALL COMPLY WITH A REQUEST WITHIN FIVE
11 BUSINESS DAYS AFTER RECEIPT.

12 B. Notwithstanding subsection A, paragraphs 8, 10 and 12 of this
13 section, the county school superintendent may construct, improve and furnish
14 school buildings or purchase or sell school sites in the conduct of an
15 accommodation school.

16 C. If any school district acquires real or personal property, whether
17 by purchase, exchange, condemnation, gift or otherwise, the governing board
18 shall pay to the county treasurer any taxes on the property that were unpaid
19 as of the date of acquisition, including penalties and interest. The lien
20 for unpaid delinquent taxes, penalties and interest on property acquired by a
21 school district:

22 1. Is not abated, extinguished, discharged or merged in the title to
23 the property.

24 2. Is enforceable in the same manner as other delinquent tax liens.

25 D. The governing board may not locate a school on property that is
26 less than one-fourth mile from agricultural land regulated pursuant to
27 section 3-365, except that the owner of the agricultural land may agree to
28 comply with the buffer zone requirements of section 3-365. If the owner
29 agrees in writing to comply with the buffer zone requirements and records the
30 agreement in the office of the county recorder as a restrictive covenant
31 running with the title to the land, the school district may locate a school
32 within the affected buffer zone. The agreement may include any stipulations
33 regarding the school, including conditions for future expansion of the school
34 and changes in the operational status of the school that will result in a
35 breach of the agreement.

36 E. A school district, its governing board members, its school council
37 members and its employees are immune from civil liability for the
38 consequences of adoption and implementation of policies and procedures
39 pursuant to subsection A of this section and section 15-342. This waiver
40 does not apply if the school district, its governing board members, its
41 school council members or its employees are guilty of gross negligence or
42 intentional misconduct.

43 F. A governing board may delegate in writing to a superintendent,
44 principal or head teacher the authority to prescribe procedures that are
45 consistent with the governing board's policies.

G. Notwithstanding any other provision of this title, a school district governing board shall not take any action that would result in an immediate reduction or a reduction within three years of pupil square footage that would cause the school district to fall below the minimum adequate gross square footage requirements prescribed in section 15-2011, subsection C, unless the governing board notifies the school facilities board established by section 15-2001 of the proposed action and receives written approval from the school facilities board to take the action. A reduction includes an increase in administrative space that results in a reduction of pupil square footage or sale of school sites or buildings, or both. A reduction includes a reconfiguration of grades that results in a reduction of pupil square footage of any grade level. This subsection does not apply to temporary reconfiguration of grades to accommodate new school construction if the temporary reconfiguration does not exceed one year. The sale of equipment that results in an immediate reduction or a reduction within three years that falls below the equipment requirements prescribed in section 15-2011, subsection B is subject to commensurate withholding of school district capital outlay revenue limit monies pursuant to the direction of the school facilities board. Except as provided in section 15-342, paragraph 10, proceeds from the sale of school sites, buildings or other equipment shall be deposited in the school plant fund as provided in section 15-1102.

H. Subsections C through G of this section apply to a county board of supervisors and a county school superintendent when operating and administering an accommodation school.

I. Until the state board of education and the auditor general adopt rules pursuant to section 15-213, subsection I, a school district may procure construction services, including services for new school construction pursuant to section 15-2041, by the construction-manager-at-risk, design-build and job-order-contracting methods of project delivery as provided in title 41, chapter 23, except that the rules adopted by the director of the department of administration do not apply to procurements pursuant to this subsection. Any procurement commenced pursuant to this subsection may be completed pursuant to this subsection.

Sec. 7. Section 23-355, Arizona Revised Statutes, is amended effective from and after June 30, 2008, to read:

23-355. Action by employee to recover wages; amount of recovery

A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, if an employer, in violation of ~~the provisions of~~ this chapter, ~~shall fail~~ FAILS to pay wages due any employee, ~~such~~ THE employee may recover in a civil action against an employer or former employer an amount ~~which~~ THAT is treble the amount of the unpaid wages.

B. THIS SECTION DOES NOT AUTHORIZE A COUNTY SCHOOL SUPERINTENDENT TO ISSUE A WARRANT IN VIOLATION OF SECTION 15-304 OR IN VIOLATION OF ANY OTHER PROVISION OF LAW.

1 Sec. 8. Repeal

2 A. Laws 2005, chapter 274, section 2, as amended by Laws 2007, chapter
3 234, section 2, is repealed.

4 B. Laws 2005, chapter 274, section 3, as amended by Laws 2007, chapter
5 234, section 3, is repealed.

6 Sec. 9. Laws 2007, chapter 234, section 5 is amended to read:

7 Sec. 5. Errors in school district budget calculation;
8 correction

9 A. Notwithstanding sections 15-905 and 15-915, Arizona Revised
10 Statutes, a school district that miscalculated its fiscal year 2004-2005
11 budget shall be required to correct the error over a five-year period
12 beginning in fiscal year 2007-2008 and ending in fiscal year 2011-2012 if
13 each of the following conditions exist:

14 1. The school district provides evidence to the superintendent of
15 public instruction that the school district's budget for the current year is
16 properly calculated and will not result in any overexpenditures.

17 2. The total amount of the correction from the maintenance and
18 operations fund that would otherwise be required under section 15-915,
19 Arizona Revised Statutes, is more than two hundred twenty thousand dollars
20 but less than two hundred forty thousand dollars.

21 3. The total amount of the correction from the unrestricted capital
22 outlay fund that would otherwise be required under section 15-915, Arizona
23 Revised Statutes, is more than three thousand dollars but less than five
24 thousand dollars.

25 4. The average daily membership of the school district in fiscal year
26 2004-2005 was more than eight hundred eighty but less than nine hundred
27 forty.

28 B. Notwithstanding sections 15-905 and 15-915, Arizona Revised
29 Statutes, a school district that miscalculated its budgets during fiscal year
30 2005-2006 shall correct the error over a six-year period beginning in fiscal
31 year 2007-2008 and ending in fiscal year 2012-2013 if both of the following
32 conditions exist:

33 1. The department of education erroneously doubled the amount that
34 should have been calculated pursuant to section 15-905, subsection 0, Arizona
35 Revised Statutes, and that erroneous action resulted in an overstated general
36 budget limit.

37 2. The total amount of the correction that would otherwise be required
38 under this section is more than four hundred thousand dollars but less than
39 one million two hundred thousand dollars.

40 C. Notwithstanding sections 15-905 and 15-915, Arizona Revised
41 Statutes, a school district that miscalculated its budgets during fiscal year
42 2005-2006 shall be required to correct the error over a five-year period
43 beginning in fiscal year 2007-2008 and ending in fiscal year 2011-2012 if
44 each of the following conditions exist:

1 1. The school district reported a total attending average daily
2 membership count of more than one thousand one hundred pupils and less than
3 one thousand two hundred pupils for the 2005-2006 school year in the annual
4 report of the superintendent of public instruction for fiscal year 2005-2006.

5 2. The total amount of the correction that would otherwise be required
6 under section 15-915, Arizona Revised Statutes, is more than four hundred
7 thousand dollars but less than four hundred fifty thousand dollars.

8 D. Notwithstanding sections 15-905 and 15-915, Arizona Revised
9 Statutes, a school district that overexpended its budgets during fiscal years
10 2003-2004, 2004-2005 and 2005-2006 is required to correct these
11 overexpenditures plus any overexpenditures for fiscal year 2006-2007 over a
12 ~~five-year~~ NINE-YEAR period in ~~equal~~ installments beginning in fiscal year
13 ~~2007-2008~~ 2008-2009 and ending in fiscal year ~~2011-2012~~ 2016-2017. THE
14 ANNUAL INSTALLMENTS, INCLUDING THE PRINCIPAL AND INTEREST, SHALL BE FIVE PER
15 CENT IN THE FIRST AND SECOND FISCAL YEARS, TEN PER CENT IN THE THIRD, FOURTH
16 AND FIFTH FISCAL YEARS AND FIFTEEN PER CENT IN THE REMAINING FISCAL YEARS.
17 THIS SUBSECTION APPLIES TO A SCHOOL DISTRICT if each of the following
18 conditions exist:

19 1. The total amount of the corrections for fiscal years 2003-2004,
20 2004-2005, ~~AND~~ 2005-2006 that would otherwise be required under section
21 15-915, Arizona Revised Statutes, is more than three million dollars but less
22 than three million four hundred thousand dollars.

23 2. The school district did not receive state aid for equalization
24 assistance for education during fiscal year 2005-2006 or fiscal year
25 2006-2007.

26 3. The school district's student count calculated pursuant to section
27 15-902, Arizona Revised Statutes, during fiscal year 2005-2006 is more than
28 eight hundred but less than nine hundred twenty.

29 E. In addition to the monies required to be repaid pursuant to
30 subsections A, B, C and D of this section, accrued interest is required to be
31 paid at a rate determined by the superintendent of public instruction.

32 Sec. 10. Laws 2007, chapter 238, section 1 is amended to read:

33 Section 1. School district budget overexpenditures; correction;
34 interest

35 A. Notwithstanding sections 15-905 and 15-915, Arizona Revised
36 Statutes, a school district that overexpended its budget during fiscal years
37 2004-2005 and 2005-2006 shall be required to correct these overexpenditures
38 plus any overexpenditures for fiscal year 2006-2007 over a ~~five-year~~
39 NINE-YEAR period beginning in fiscal year ~~2007-2008~~ 2008-2009 and ending in
40 fiscal year ~~2011-2012~~ 2016-2017. THE ANNUAL INSTALLMENTS, INCLUDING THE
41 PRINCIPAL AND INTEREST, SHALL BE FIVE PER CENT IN THE FIRST AND SECOND FISCAL
42 YEARS, TEN PER CENT IN THE THIRD, FOURTH AND FIFTH FISCAL YEARS AND FIFTEEN
43 PER CENT IN THE REMAINING FISCAL YEARS. THIS SUBSECTION APPLIES TO A SCHOOL
44 DISTRICT if all of the following conditions exist:

1 1. The school district is an elementary school district that is
2 located in a county with a population that exceeds one million five hundred
3 thousand persons.

4 2. The school district's student count for the 2006-2007 school year
5 was more than one thousand three hundred pupils and less than one thousand
6 eight hundred pupils.

7 3. The total amount of the correction that would otherwise be required
8 under section 15-915, Arizona Revised Statutes, for fiscal year 2004-2005 is
9 more than six thousand dollars but less than ten thousand dollars.

10 4. The total amount of the correction that would otherwise be required
11 under section 15-915, Arizona Revised Statutes, for fiscal year 2005-2006 is
12 more than seven hundred thousand dollars but less than one million one
13 hundred thousand dollars.

14 B. In addition to monies required to be repaid pursuant to subsection
15 A of this section, accrued interest is required to be paid at a rate
16 determined by the superintendent of public instruction.

17 Sec. 11. School district budget overexpenditures; correction;
18 interest

19 A. Notwithstanding sections 15-905 and 15-915, Arizona Revised
20 Statutes, a school district that overexpended its budget during fiscal year
21 2006-2007 shall be required to correct these overexpenditures plus any
22 overexpenditures for fiscal years 2007-2008 and 2008-2009 over a nine-year
23 period beginning in fiscal year 2008-2009 and ending in fiscal year
24 2016-2017. The annual installments, including the principal and interest,
25 shall be five per cent in the first and second fiscal years, ten per cent in
26 the third, fourth and fifth fiscal years and fifteen per cent in the
27 remaining fiscal years. This subsection applies to a school district if all
28 of the following conditions exist:

29 1. The school district is a unified school district that is partially
30 located on an Indian reservation.

31 2. The school district's average daily membership for the 2006-2007
32 school year was less than three hundred fifty pupils.

33 3. The total amount of the correction that would otherwise be required
34 under section 15-915, Arizona Revised Statutes, for fiscal year 2006-2007 is
35 more than one million two hundred thousand dollars but less than one million
36 eight hundred thousand dollars.

37 B. In addition to monies required to be repaid pursuant to
38 subsection A of this section, accrued interest is required to be paid at a
39 rate determined by the superintendent of public instruction.

40 Sec. 12. Emergency

41 This act is an emergency measure that is necessary to preserve the
42 public peace, health or safety and is operative immediately as provided by
43 law.